

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP
JULY 1, 2009**

DIRECTORS PRESENT

Matt Disston, Committee Chair
Glenn Acosta, Committee Member

STAFF PRESENT

Don Chadd, General Manager (Participated for a portion of the meeting via telecommunication)
Hector Ruiz, District Engineer
Sharon E. Smith, Secretary/Treasurer
Teresa Teichman, Assistant to the General Manager

PUBLIC PRESENT

No members of the public were present.

CALL MEETING TO ORDER

Committee Chair Disston called the July 1, 2009 Finance/Audit Committee Meeting to order at 7:05 a.m.

VISITOR PARTICIPATION

Public comments were announced. No comments were received.

ORAL COMMUNICATION

Oral communication was announced. No comments were received.

COMMITTEE MEMBER COMMENTS

There were no comments.

REPORT FROM THE GENERAL MANAGER

No report was provided.

ACTION ITEMS

Ms. Sharon Smith, Secretary/Treasurer, stated that the General Manager would participate via telecommunication and requested that Item Numbers 5 and 6 be moved forward on the agenda. By motion and second, the Committee moved to do so.

ITEM NO. 5) DISCUSSION RELATING TO WATER RELIABILITY AND
EMERGENCY STORAGE FEE

Mr. Don Chadd, General Manager, stated that the Water Reliability and Emergency Storage Fee (WRESF) is being presented as a follow up to the discussion regarding this matter at the recent Budget Workshop. Staff has formalized the WRESF and identified it as a funding mechanism that the District should apply.

Mr. Chadd pointed out that the WRESF is comprised of three projects--the Baker Regional Water Treatment Facility, the Rose Canyon and Lang Wells Upgrades to Treatment Facilities, and the Two Million Gallon Domestic Water Reservoir. The attachments in the Committee packet are a representation of what each project would cost if the projects are moved through the stratified meter rate structure.

Mr. Chadd recommended that the District initiate Proposition 218 proceedings if the Board approves of the projects.

Recommendation: The Committee moved and seconded that information relating to the Water Reliability and Emergency Storage Fee be agendaized for discussion at the July 15, 2009 Regular Board Meeting. (Action Calendar)

ITEM NO. 6) DISCUSSION RELATING TO POTENTIAL AD VALOREM
PROPERTY TAX DIVERSION

Mr. Chadd presented the most current information relating to the potential ad valorem property tax diversion. The District anticipated a diversion by the State of eight (8) percent. Currently State legislators have not agreed on a budget but may actually divert more than eight percent of the property taxes.

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In the event the State diverts eight percent of the taxes, staff is recommending that the Board move forward with the Proposition 218 proceedings. The collection of the diverted taxes from customers would be through the stratified meter rate structure.

Should a higher percentage of the taxes be diverted, a Special Board Meeting would be called to determine the appropriate action.

Information relating to Item Numbers 5 and 6 will be disseminated to District customers in the July and future issues of ON-TAP.

Recommendation: The Committee moved and seconded that information relating to the Ad Valorem Property Tax Diversion to the State be agendized for discussion at the July 15, 2009 Regular Board Meeting. (Action Calendar)

ITEM NO. 1) FINANCE/AUDIT COMMITTEE MEETING RECAP

The June 16, 2009 Finance/Audit Committee Meeting Recap was presented to the Committee. No changes were made to the Recap.

Recommendation: The Committee recommended that the June 16, 2009 Finance/Audit Committee Meeting Recap be received and filed by the Board. (Consent Calendar)

ITEM NO. 2) RATIFICATION OF DIRECTORS' FEES AND EXPENSES AND FUTURE MEETINGS

The Committee reviewed the May 2009 expenses and June 2009 fees and the future Director meeting schedule.

Recommendation: The Committee recommended that the Board ratify the Directors' expenses for May 2009 and fees for June 2009, as presented, and future meetings, July through December 2009. (Consent Calendar)

ITEM NO. 3) STATUS UPDATE RELATING TO WATER MONITORING

Mr. Chadd referred the Committee to a spreadsheet which indicates the quantity of untreated and treated water purchased, by calendar year (years 2007, 2008, and year-to-date 2009). The purpose of the monitoring is to assist the District in not exceeding the Municipal Water District of Orange County water allocation established for the District. TCWD's water allocation is 2,847 acre feet. Water monitoring information will be provided to the Board on a monthly basis.

Recommendation: The Committee received and filed the status update. No action required.

Mr. Chadd discontinued participation in the Committee Meeting at 7:17 a.m.

ITEM NO. 4) STATUS UPDATE RELATING TO CALIFORNIA DROUGHT AND WATER CONSERVATION EFFORTS

Ms. Smith stated that staff has developed a High User Monitoring Report that will be presented to the Board on a monthly basis.

Mrs. Teresa Teichman, Assistant to the General Manager, noted that customers are taking advantage of the telephone hotline to report high water usage that they observe. Three applications for waivers have been received. She also provided information on the District's participation with assisting the City of Rancho Santa Margarita in complying with the adoption of a mandated landscape ordinance.

Conversation took place concerning providing customers with automatic shut off nozzles. Mrs. Teichman will review costs associated with purchasing nozzles.

Mr. Hector Ruiz, District Engineer, discussed aspects of the reclaimed water system, stating that the District is continuing to work with homeowner associations in expanding their recycled systems. Mr. Ruiz is working with an electrical consultant on the design of the Shadow Rock Detention Basin.

Recommendation: The Committee received and filed the status update. No action required.

ITEM NO. 7) DISCUSSION RELATING TO CALPERS 2010 HEALTH PREMIUMS

Ms. Smith discussed the staff report in the Committee packet. She stated that the Board-established benchmark for medical insurance is PERS Choice, employee plus two dependents level. PERS Choice will increase from \$1,192.33 to \$1,261.75 on January 1, 2010.

She noted that the open enrollment period for Directors and employees is mid-September to mid-October 2009. If the Board determines not to increase the benchmark, a number of individuals will be responsible for about \$67.00 monthly for health insurance. By making a decision in July, individuals will have

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sufficient time to determine if they wish to change carriers to avoid the increased cost.

The Committee discussed the matter further. Committee Member Acosta noted that he supports an increase in the benchmark.

Committee Chair Disston stated his desire to explore ways to divert more of the benefit cost to employees in order to obtain cost savings.

Recommendation: The Committee recommended that this matter be agendized for discussion and possible action at the July 15, 2009 Regular Board Meeting. (Action Calendar)

ITEM NO. 8) OTHER MATTERS

No other matters were discussed.

ITEM NO. 9) TREASURER'S REPORT

ITEM NO. 9A) PRESENTATION OF MAY 2009 PRELIMINARY STATEMENT OF REVENUE AND EXPENSE

Ms. Smith reviewed the May 31, 2009 unaudited financial statement. The 11 month total represents 92% of total revenue and expenses. Both revenue and expenses are only 84% of year-to-date budget. The cash and investments at cost have decreased over prior year due to capital expenditures.

The Statement of Revenue and Expenses was discussed with the Committee. Overall revenues were lower in May of 2009 compared to May 2008 due to the cooler weather in 2009. In May of 2008 the District sold 238 acre feet of domestic water compared to 193 acre feet in May of 2009. Recycled and reclaimed sales were about one-half of sales in May of 2008.

None of the operating expenses are over the budget guidelines. Water expenses are only 74% of year-to-date budget. The Non Operating Revenue decreased significantly over prior year--from \$172,532 to \$55,159. Interest revenue decreased by \$21,000, and property taxes collected decreased by \$62,150. Additionally, the final FEMA payment of \$23,000 (fire of 2007) was received in May of 2008 which distorts the Other Revenues and Services revenue line item.

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The net non operating income (loss) in May of 2009 was \$37,412 compared to \$158,138 in May of 2008.

The investment schedule was briefly discussed with the Committee. Funds previously held in the Bank of New York were transferred to the Local Agency Investment Fund to obtain a higher rate of interest.

At the previous request of the Committee, staff prepared and distributed a report that included a column showing the percentage of the annual budget in dollars as well as the percentage which is currently shown.

Recommendation: The Committee recommended that the Board receive and file the May 2009 unaudited financial statement, as presented. (Consent Calendar)

6B) BILLS FOR CONSIDERATION

The bills for consideration were presented.

Recommendation: The Committee recommended that the Board ratify payment of the June 30, 2009 bills for consideration in the amount of \$212,664.24 and June 2009 payroll in the amount of \$158,164.54, as presented. (Consent Calendar)

ADJOURNMENT

Committee Chair Disston adjourned the July 1, 2009 Finance/Audit Committee Meeting at 7:49 a.m.